STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
ENERGY POLICY DIVISION
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April 29, 2005

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RE: Post-2006 Conservation Program Proposal

Dear Bonneville Representatives:

Thank you for providing an opportunity to comment on the Post-2006 Conservation Program Proposal. We are submitting comments on behalf of the Washington Department of Community, Trade and Economic Development (CTED). We have had a representative participating in the development of this proposal through Bonneville's working group meetings. We believe that overall Bonneville has done an excellent job in designing a program that, if it were sufficiently funded, would go a long way toward meeting its share of the regional conservation target established by the Northwest Power and Conservation Council in its 5th Power Plan. The draft program is a significant improvement to BPA's current conservation program in two notable ways. First, the proposed post-2006 conservation program is much improved over the past conservation and renewable discount (C&RD) program through its focus on cost-effective measures. Second, the overall structure will be, indeed, more efficient and cost-effective in acquiring conservation resources. However, the plan, as outlined, is extremely unlikely to achieve Bonneville's publicly stated goal of capturing its share of the Council's conservation targets.

In our comments, we will first discuss the issues regarding conservation targets and funding. We will then to turn to issues of program design and implementation.

We agree with the Council that Bonneville's target of 52 aMW is not the correct representation of its share of the regional electricity load and that the budget of $75 million is too low to achieve even the low targets. The Council analysis in its letter of April 26, 2005 is quite right to point out that:

> *Bonneville does not include conservation on the investor-owned utility exchange load in its targets even though Bonneville provides funding for the exchange. . . . Bonneville would have to acquire conservation at a cost that is significantly lower than the cost at which conservation has been acquired in the past.*

We do not understand why Bonneville would include funding for investor owned utility participation in the conservation rate discount but not include the exchange load in its conservation target. We think it would make more sense to either 1) exclude the IOU rate credit accomplishments from the Bonneville conservation achievements and exclude the exchange load from the targets or 2) to keep the funding in the conservation budget and include the exchange load in the targets. Doing either of these and adjusting the conservation budget upward would insure that enough money was available to fully fund conservation for consumer owned utility loads.

We estimate that Bonneville would need to increase its proposed annual budgets of $75 million by about a third to about $100 million in order to have a meaningful chance of meeting its targets. This may seem like a large amount of money, but much of it is needed to cover inflation from 2001-2011, while the rest of the increase would be a prudent risk management expense. Conservation remains the cheapest resource and Bonneville remains the chief regional engine for preventing the building of costly new generation when conservation is available instead. We are especially concerned that cost-effective lost opportunity resources will be left on the table while Bonneville pursues conservation measures that have cheaper first costs.

We take Bonneville at its word that it will attempt to meet its regional targets, but what if it does not succeed? Bonneville needs to address in its plan what it will do if it is falling short of the Council's targets. This means that it needs to have adequate monitoring and evaluation built into its administrative structure and a contingency plan for changing its approach if it finds that its goals are not being met.

<u>Program Design</u>

We commend Bonneville on developing a useful portfolio of program strategies for capturing energy efficiency in its Northwest service territory and in particular, for designing a rate credit program that is a vast improvement over its original C&RD program. While we have expressed concerns that BPA's proposed budget is inadequate to capture "Bonneville's share of the Council's plan" we readily recognize that the post-2006 rate credit program design ensures that the region's electricity stakeholders will capture conservation economically and efficiently.

BPA has shown considerable backbone in insisting that only cost-effective measures will qualify. We support this as a new program component. Bonneville's willingness to provide credit for *packages* of measures that pass this test is a useful compromise that assists utilities in marketing conservation to customers that may mix measures of high and low customer appeal. Semi-annual reporting, oversight and verification, and paying a percent of measure costs rather than for the value of the measure are all improvements to the pre-existing program.

There are a few areas where Bonneville needs to improve the program design. Stakeholders made the point during the work group meetings that the region needs to prioritize investments in conservation lost opportunities. These are investment opportunities, such as new construction, that once missed become extremely difficult and prohibitively expensive to capture. Lost opportunities can be challenging savings to capture, but they are the most time-sensitive. Given Bonneville's principle, which we appreciate, to "achieve conservation at lowest cost possible to BPA" we are concerned that Bonneville will sacrifice investing in lost opportunity measures to capture non-time sensitive low-cost conservation such as residential lighting measures. We urge Bonneville to consult with Council staff as needed and then commit an appropriate portion of its funds to capturing lost-opportunity conservation measures.

A few utilities currently finance their investment in the Alliance through Bonneville's C&RD program. We support the continuation of this option and encourage Bonneville to claim the credit in savings from rate credit program investments in the Alliance.

If Bonneville has to maintain its current budget for conservation then we would seek a major modification in program design. Given the limited and generally perceived inadequate funding to achieve the necessary magnitude of conservation, we would ask that Bonneville set a requirement that its partial requirement utilities need to achieve their own non-BPA share of the Council's target prior to claiming credit as a participant of Bonneville's rate credit program.

We support Bonneville's willingness to offer a renewable option in the rate credit portion of its programs. One way to ensure that a small utility can reasonably deliver measurable resources is to permit small utilities to continue to purchase non-hydro renewable power or renewable energy credits from Bonneville or other wholesalers. Several of Washington's small utilities currently are making these investments. We can also support Bonneville's proposal to change the "time of first use" date for renewable resources to October 1, 2005. The credit for acquisition of renewables or renewable credits should not exceed the cost of renewables or the credits, respectively. Additionally, it is important that the renewable program design ensure that 100% of the value of the renewable power is delivered to the appropriate utility retail customers. For example, if Bonneville were to provide credit to investor-owned utilities for wholesale renewable power purchases, then that utility would need to deliver that power to its residential-farm load and would be precluded from separately selling green tags or emission credits from that renewable energy purchase.

Currently, data from Bonneville's C&RD program is only available in a regionally aggregated summary report. This is inadequate. We think it is imperative that utility reported data be publicly available. Bonneville can consider any data relating to a specific business, household or industry to be proprietary. However, data aggregated by each utility ought to be available to the public. Bonneville is a federal entity that is indicating it is accountable for the results of its utilities. This information needs to be available.

On a related, but slightly separate note, we want to comment on Bonneville's funding for low-income energy efficiency. CTED is the state agency that employs both the energy policy staff and the low-income assistance staff and we want to convey our appreciation for Bonneville's willingness to fund $5 million region-wide, in addition to the proposed conservation budgets, to fund low-income weatherization and conservation. Bonneville arrived at a creative and a meaningful solution for investing this $5 million to reduce the energy burden of the region's low-income population and increase the energy efficiency in low-income households. The agency and its constituents value this investment.

Washington State policy-makers are doing their part to contribute to the achievement of the Council's plan. Last November the state amended its non-residential energy code to secure 11,900 MWhs of first year electricity savings and 138,000 therms of natural gas savings. This month our legislature passed a bill establishing minimum state energy efficiency standards for twelve products; we estimate their aggregate first year savings to be 125,900 MWhs and 1.9 million therms. Additionally, Washington State just enacted a law that mandates public buildings be built to sustainability standards; the state will work with stakeholders to ensure that energy efficiency is one component of the sustainability package. These savings were achieved without funding from ratepayers, but opportunities such as these are rarely available.

We commend BPA for a thorough and open program development process. As we have noted, you still need to remedy the shortfalls in targets and budgets and revise the program design. Nevertheless, BPA has absorbed much of the experience of the past several years and made important improvements in the overall conservation program. We look forward to working with you to make the program even better.

Sincerely,

Tony Usibelli

Tony Usibelli
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Tom Karier
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